

SECTION E

Cost of Further Manufacture or Assembly Performed in the United States

I. General Explanation of Section E Questionnaire

This section of the antidumping questionnaire provides instructions for reporting the costs incurred for **further manufacture or assembly** of the subject merchandise in the United States.

If you have questions concerning any part of the section E questionnaire, you are instructed to contact the official in charge. Please note, however, that requests by your company to alter the reporting of the information requested in the section E questionnaire must be submitted in writing to the Department.

A. Cost of Further Manufacture or Assembly

Further manufacture or assembly (“further manufacturing”) costs include amounts incurred for direct materials, labor and overhead, plus amounts for general and administrative expenses, interest expenses, additional U.S. packing expenses, and all costs involved in moving the product from the U.S. port of entry to the further manufacturer. The summation of the U.S. further manufacturing costs that you report in response to this section of the questionnaire must be reported in data field 50.0 of your company’s U.S. sales listing submitted in response to section C of this questionnaire.

B. Reporting Period for Further Manufacturing Costs

The further manufacturing costs that you report should be calculated based on the actual costs incurred by your U.S. affiliate (the “company”) during the period of investigation (“POI”), as recorded under its normal accounting system.¹ If you have any questions regarding the appropriate cost calculation period for the merchandise under investigation, please notify the Department in writing before preparing your response to this section of the questionnaire.

C. Weighted-Average Further Manufacturing Costs

The further manufacturing costs that you report should be calculated on a weighted-average basis using as the weighting factor the model-specific production quantity for the

¹ If your company’s fiscal year ends within three months of the POI and you want to report further manufacturing costs based on your company’s fiscal year, you must contact the official in charge within 14 days after receipt of the initial questionnaire. See 19 CFR 351.301(c)(2)(iv).

product sold in the United States. If you further manufactured the subject merchandise at more than one U.S. facility, you must report the weighted-average of the further manufacturing costs from all such facilities. If you have any questions regarding how to compute the weighted-average further manufacturing costs for the subject merchandise, please notify the Department in writing before preparing your response to this section of the questionnaire.

II. General Information

The production process, financial accounting, and cost accounting information requested below is necessary in order for the Department to better understand your company's operations, its products and production processes, and its financial and cost accounting practices. We therefore ask that you provide complete and detailed narrative responses to each item listed below.

A. Products and Production Process

Provide a description of the further manufacturing process for the subject merchandise shipped to the United States.² Your description should address each of the items listed below.

1. Describe the U.S. production facilities used to further manufacture the subject merchandise. If further manufacturing operations take place at more than one facility, identify each facility and describe the production activities that take place at each facility.
2. Identify all products manufactured using the same production facilities used to further manufacture the subject merchandise.
3. Provide a flowchart that details the complete U.S. production cycle for the subject merchandise. This should include descriptions of each stage of production and the locations of primary cost centers.
4. Provide a description of how the company keeps account of processing yields or losses throughout the further manufacturing production cycle. Indicate each stage in the production cycle where processing yields are measured.

² Please note that if you have already provided a description of your company's production process in response to section A of this questionnaire, you may repeat that description or refer to the page numbers in that part of your response where the information is presented. Please ensure, however, that your response addresses each of the items noted in parts II.A.1 through 6 of this section of the questionnaire. If it does not, you should provide a description of your company's production process in this section of your response and supplement it accordingly with the requested information.

5. List the inputs used to further manufacture the subject merchandise, including specific types of raw materials, labor, electricity or other power supply, machinery and equipment, and subcontractor services. Indicate whether any of these materials or services were purchased from an affiliated party (*i.e.*, **affiliated person**). For each input received from an affiliated party, provide the name of the affiliated party and, if you have not already done so in response to section A of this questionnaire, state the nature of the affiliation.
6. List the significant production inputs received from affiliated parties and used to further manufacture the merchandise under investigation during the cost calculation period. For each input identified, provide the following information:
 - a. the total volume and value of the input purchased from all sources by your company during the cost calculation period, and the total volume and value purchased from each affiliated party during the same period;
 - b. the unit transfer price charged for the input by the affiliated party (if the affiliated party sells the identical input to other, unaffiliated purchasers, provide the price paid for the input by the unaffiliated purchaser; if your company purchases the identical input from unaffiliated suppliers, provide the price you paid to the unaffiliated party for the input); and
 - c. state the basis used by your company (*e.g.*, transfer price or cost) to value each of the inputs received from affiliates
 1. in your company's normal books and records; and,
 2. for purposes of computing the further manufacturing costs provided in your response to this section of the questionnaire.

B. Financial Accounting Systems and Policies

Describe your company's financial accounting practices and the system it uses to accumulate and summarize accounting data for purposes of preparing financial statements. Your description should address each of the items listed below.

1. State whether your company's financial accounting practices are in accordance with generally accepted accounting principles ("GAAP") in the United States.
2. Provide a narrative and flowchart illustrating the company's basic financial accounting books and record keeping system. Indicate in your flowchart all subsidiary ledgers, including raw materials, inventory, and sales and accounts receivable ledgers. Show in your flowchart how data from the company's financial accounting system are summarized in its financial statements.

C. Cost Accounting

Provide narrative responses to the following questions as they relate to each affiliate that performs further manufacturing of the subject merchandise. This information will provide us with an understanding of the cost accounting system used by the company in its normal course of business.

1. Describe the company's cost accounting system and how it is used to classify, allocate, aggregate, and record the costs incurred to further manufacture the subject merchandise. Your description should be provided in narrative form and should include a flow chart that 1) illustrates how the system records and reports costs for the merchandise throughout the production process, and 2) shows the various subsidiary cost ledgers maintained under the system and how they reconcile to the company's normal financial statement data.
2. Provide a list of all direct, indirect, and common cost centers. Briefly describe the operations that take place at each of these cost centers. For direct cost centers, describe how the production costs are accumulated and charged to the merchandise produced. For indirect and common cost centers, describe how the costs incurred are accumulated and allocated to the direct cost centers.
3. Describe the level of product specificity over which the company's cost accounting system normally captures production costs. Explain how the product-specific costs as recorded in the company's normal accounting system compare to the product-specific costs reported for further manufacturing.
4. State whether the company's cost accounting system accumulates costs for the subject merchandise based on the actual production costs incurred or on standard or budgeted costs. If the company's cost accounting system is based on standard or budgeted costs, then provide the following information:
 - a. the variances recorded under the company's cost accounting system and how they are used by management in the normal course of business (for each variance, identify the level of product specificity for which the variance is measured);
 - b. the period for which the company computes and records each variance;
 - c. the methods used to develop each variance used in the company's cost accounting system;
 - d. the frequency with which the company revises its standard or budgeted costs, including the date on which the latest revision was made; and

- e. the disposition of favorable or unfavorable variances (including under- or over-applied overhead) resulting from production operations during each accounting period (*e.g.*, charge to cost of sales, prorate between cost of sales and inventory balances).
5. List and describe all production costs incurred by the company that are valued differently for cost accounting purposes than for financial accounting purposes.

III. Response Methodology

The per-unit further manufacturing cost figures that you provide in response to this section of the questionnaire must reconcile to the actual costs reported in the company's cost accounting system and to accounting records used by the company to prepare its financial statements. If the company normally uses a cost accounting system based on actual costs, you should use that system for purposes of computing your submitted further manufacturing cost amounts. Similarly, if the company uses a standard cost accounting system, you should use that system for purposes of computing further manufacturing costs. In such case, however, you must also ensure that you have allocated to the further manufacturing costs all variances resulting from differences between standard and actual production costs.

You should compute the per-unit cost of further manufacture based on your company's normal accounting records. If you do not intend to use the company's normal accounting system and cost allocation methods to compute further manufacturing cost for the subject merchandise, you must notify the Department in writing before preparing your response to this section of the questionnaire.

A. Description of Response Methodology

Provide a narrative description of the methodology that you used to compute the company's submitted further manufacturing costs. Your description should address items listed below.

1. Describe how you used the company's normal cost and financial accounting records to compute the per-unit further manufacturing cost figures reported in response to this section of the questionnaire. Include in your description a discussion of how you used the company's accounting system and actual cost and financial accounting data to compute each of the following cost elements relating to the submitted further manufacturing cost figures:
 - a. direct materials;
 - b. direct labor;
 - c. factory overhead (provide a list of the cost categories that comprise your submitted factory overhead cost figures);

- d. research and development (“R&D”) costs;
 - e. general and administrative expenses (including a list of all miscellaneous income and expense items); and
 - f. net interest expense (including a list of all interest income and expense items and other financing amounts used to compute net interest expense).
2. List and describe in detail all differences between costs computed under the company’s normal cost and financial accounting systems and the costs submitted in response to this section of the questionnaire. Include in your description the reasons why it was necessary for you to depart from the company’s normal accounting practices in order to compute the submitted further manufacture costs.

B. Worksheets

Provide the worksheets requested below that illustrate how your company calculated the per-unit further manufacturing costs submitted in response to this section of the questionnaire. Additional instructions regarding how to calculate specific cost elements for further manufacturing costs are provided in part IV, Instructions for Submitting Further Manufacturing Cost Data File, of this section.

- 1. For the further manufactured product with the highest U.S. market sales volume during the POI, provide worksheets that demonstrate how your company computed direct materials, direct labor, and fixed and variable overhead costs for the submitted further manufacturing cost figure(s). If your company relies on a standard cost accounting system, the worksheets that you prepare should show how you allocated any cost variances in deriving actual production costs.
- 2. Provide a worksheet that demonstrates how you computed your company’s general and administrative (G&A) expense ratio. The worksheet that you provide should demonstrate how the G&A expenses used for your ratio calculation reconcile to your company’s financial statements.
- 3. Provide a worksheet that demonstrates how you computed your company’s net interest expense ratio. The worksheet that you provide should demonstrate how the interest income and expense figures used for your ratio calculation reconcile to your company’s financial statements.

IV. Instructions for Submitting Further Manufacturing Cost Data File

In accordance with the instructions provided below, prepare a computer file reporting the costs incurred to further manufacture the subject merchandise in the United States. Instructions regarding the specific information required to complete each data field for the further

manufacturing cost file are provided below. These instructions combine the questionnaire with the computer data file format. "FIELD NUMBER" includes the number and descriptive name of the field in the computer data file. "FIELD NAME" includes the "short" or variable name for the submitted hard copy printouts of the data file. "DESCRIPTION" defines the data that you must report in the field of the computer data file.

Fields 1.0 and 2.1.

For each file record, report in these fields the product code for each further manufactured product and the matching control number for each unique model of the subject merchandise that was further manufactured in the United States. This information should allow the Department to match the detailed further manufacturing cost data to the total further manufacturing cost data provided in your response to section C of this questionnaire.

FIELD NUMBER 1.0: Complete Product Code

FIELD NAME: PRODCODU

DESCRIPTION: Report the commercial product code assigned by the company in the normal course of business to the specific further manufactured product sold in the United States.

FIELD NUMBER 2.0: Matching Control Number

FIELD NAME: CONNUMU

DESCRIPTION: Report the unique control number assigned to the model (as imported) from the U.S. sales files in your response to section C of this questionnaire. Unless otherwise instructed by the Department, you should ensure that your further manufacturing cost computer file contains a record for each unique product control number contained in the U.S. sales file which required further manufacturing in the United States.

FIELD NUMBER 2.1: Production Quantity

FIELD NAME: PRODQTY

DESCRIPTION: Report the quantity produced during the cost calculation period.

Fields 2.5 through 2.9.

In certain circumstances it may be necessary to use these fields to provide a separate identifying variable(s) which will link the sale of each product which is further manufactured in the U.S. to the product(s) as imported. For example, if the company imports multiple parts which are assembled into a single product sold in the U.S., this field would be used to report a code which will specifically identify these parts to the U.S. sale. If a single product is imported and then further manufactured into multiple U.S. products, the sale of each of these U.S. products must be linked to the single imported product. The variable(s) reported in this field should also appear in the company's U.S. sales database reported in response to section C of the questionnaire.

FIELD NUMBER 2.5: Linking Variables

FIELD NAME: LINKVAR

DESCRIPTION: Report the identifying variable which will link the further manufacturing cost record to the corresponding sale or sales in the U.S. sales file.

Fields 3.0 through 7.0.

These fields should contain information regarding the specific cost elements incurred to further manufacture the subject merchandise in the United States. The further manufacturing costs include direct materials and fabrication costs actually incurred by the company. If the company performed further manufacturing operations for the subject merchandise at more than one facility, the amounts reported for COM should be based on the weighted-average manufacturing costs from all facilities.

FIELD NUMBER 3.0: Direct Materials Cost

FIELD NAME: FURMAT

DESCRIPTION: Report the costs incurred for direct materials used to further manufacture the subject merchandise. This should include transportation charges and other expenses normally associated with obtaining the materials that become an integral part of the finished product sold in the United States. Direct materials costs include only the costs incurred for materials added in the United States and

not the cost of the imported subject merchandise. However, in addition to the cost of all direct materials added in the United States, you should include in this field the costs incurred for 1) all movement charges incurred to transport the subject merchandise from the port of entry to the company's U.S. further manufacturing facilities, and 2) the actual costs incurred for any yield loss in connection with the further manufacture of the subject merchandise in the United States. (Note that you should compute the amount of any yield loss taking into account both the cost of the imported subject merchandise and the costs incurred for U.S. further manufacturing.)

FIELD NUMBER 4.0: Direct Labor Costs

FIELD NAME: FURLAB

DESCRIPTION: Report the direct labor costs incurred to further manufacture the subject merchandise. Direct labor should include the costs incurred for all production workers, inspection/testing workers, relief workers, and all other workers directly involved in further manufacturing the subject merchandise in the United States. Direct labor should consist of the workers' base pay, overtime pay, incentive wages, shift differentials, bonuses, and all other form of wages or benefits paid to them by the company (*e.g.*, vacation, holidays, sick pay, insurance, government mandated social programs). In addition, your reported direct labor costs should include the full amount incurred for all contract labor hired by the company to further manufacture of the merchandise.

FIELD NUMBER 5.0: Factory Overhead Costs

FIELD NAME: FURFOH

DESCRIPTION: Report the factory overhead costs incurred to further manufacture the subject merchandise. Overhead costs may include costs incurred for indirect materials, indirect labor, and manufacturing utilities, as well as costs incurred for building or equipment rental, depreciation, supervisory labor, plant property taxes, factory administrative costs, and all other variable or fixed costs associated with packing the further manufactured merchandise. In addition, R&D costs that relate specifically to the further manufacturing operations should normally be included in overhead.

FIELD NUMBER 6.0: Total Production Cost

FIELD NAME: FURCOM

DESCRIPTION: Report the total production costs incurred to further manufacture the subject merchandise computed as the sum of data fields 3.0 through 5.0.

Fields 7.0 and 8.0

These fields should contain information regarding general and administrative (“G&A”) expenses and net interest expense incurred in connection with the further manufacture of the subject merchandise in the United States.

FIELD NUMBER 7.0: General and Administrative Expenses

FIELD NAME: FURGNA

DESCRIPTION: Report the per-unit G&A expenses incurred by the company in connection with the U.S. further manufacture of the subject merchandise. G&A expenses are those period expenses that relate to the general production operations of the company rather than directly to the production process for the subject merchandise. G&A expenses include amounts incurred for general R&D activities, executive salaries and bonuses, and other operations relating to the company’s U.S. corporate headquarters. You should also include in your reported G&A expenses an amount for administrative services performed on the company’s behalf by its parent company or other affiliated party.

You should compute G&A expenses on an annual basis as a ratio of the company’s total G&A expenses divided by its cost of sales (less the cost of the imported subject merchandise). In calculating the company’s G&A ratio, you should rely on full-year G&A expense and cost of sales figures reported in the company’s audited financial statements for the year that most closely corresponds to the POI. To compute the amount of per-unit G&A expense, you should multiply the

G&A expense ratio by the per-unit further manufacturing cost for the subject merchandise.

FIELD NUMBER 8.0: Net Interest Expense

FIELD NAME: FURINT

DESCRIPTION: Report the per-unit net interest expense incurred by the company in connection with the further manufacture of the subject merchandise. You should compute net interest expense on an annual basis as a ratio of the company's total net interest expense divided by its cost of sales (net of the cost of the imported subject merchandise). In calculating the company's net interest ratio, you should rely on full-year net interest expense and cost of sales figures reported in the company's audited financial statements for the year that most closely relates to the POI. If the company is a member of a consolidated group of companies, then you should base your interest expense calculation on the consolidated financial statements of the group. To compute the amount of per-unit net interest expense, you should multiply the net interest expense ratio by the per-unit further manufacturing cost of the subject merchandise.

FIELD NUMBER 9.0: Total Further Manufacturing Costs

FIELD NAME: TOTFMG

DESCRIPTION: Report the unit total further manufacturing costs incurred for the product sold in the U.S. market. You should compute this amount as the sum of data fields 3.0 through 8.0.